

Embedding a 'Risk Intelligent' approach

Managing disruption. Identifying opportunities. Enhancing resilience.



A Risk Intelligent enterprise

Our updated Risk Intelligence (RI) model reflects on changes to Enterprise Risk Management (ERM), considering the evolving regulatory environment, changing technologies, and incorporating resilience into risk thinking. These changes highlight the need for evolution in the risk function, and a shift in the mindset of how we consider and approach risk thinking.

Adapting to a **continually evolving** risk landscape



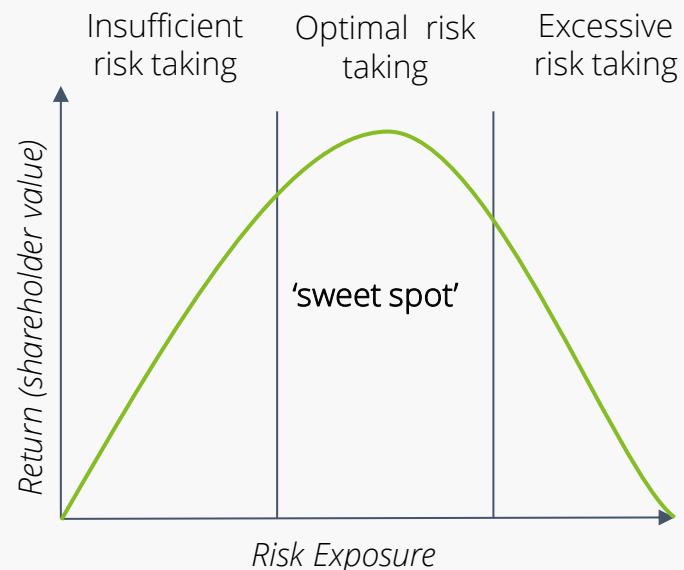
ERM best practice continues to evolve to meet the demands of a dynamic and changing environment. The 'permacrisis' state we find ourselves in demands agility to drive resilience in adversity. Increasing importance of emerging risks, such as technological innovation and socio-political change, and the speed and depth of disruptive events in the world today, makes the need for flexible risk management even more critical. This will allow an organisation to thrive in times of challenge as well as capitalise on opportunities.

Sustainably balancing risk and reward

Effective risk management enables deliberate risk taking in the pursuit of achieving organisational objectives and opportunities.

A successful organisation needs to take risks to create value and manage risks to protect value. There is a range of '**optimal risk**' taking which supports maximum return, which is also known as **the 'sweet spot'**.

High performing organisations focus on operating in the 'sweet spot' through '**Risk Intelligent**' decision making. This optimises the balance between insufficient and excessive risk taking, preventing limited opportunities for growth and innovation, and being too aggressive, which could expose excessive and potentially harmful risk.



Facilitating **responsible corporate governance**

Risk management and corporate governance are closely intertwined, and effective risk management is a key component for the long-term success and sustainability of organisations. Good corporate governance contributes to building an environment of trust, transparency and accountability.

Updates to governance codes globally demonstrate where **risk and viability** have become more central. These updates bring together best practice for risk management, prompt Boards to consider their responsibilities and emphasise the importance of organisational culture. With the recent focus on ESG, we are seeing an expanded definition of governance emphasising the importance of positive relationships and open, constructive dialogue between not only shareholders but also broader stakeholder groups.

Key challenge

Based on our experience, many organisations that are subject to the ongoing changes in corporate governance find it challenging to integrate the updates required into their existing frameworks in a way that continues to add value and drive the benefits of ERM. This experience is pronounced when integrating the raft of risk specific reforms. This includes those relating to ESG, Cyber or Artificial Intelligence (AI).

Deloitte's Risk Intelligence enterprise model

When developing our '**Risk Intelligence (RI) enterprise model**', we have drawn on our experiences of working with organisations across a broad range of sectors and industries. The RI enterprise model brings together our experience of organisations at varying degrees of maturity and incorporates good practices and regulatory governance requirements. The framework is supported by our Risk Intelligence (RI) maturity model and encompasses key principles from the COSO ERM Framework, ISO 31000 and ISO TS 31050.



How has the model evolved?

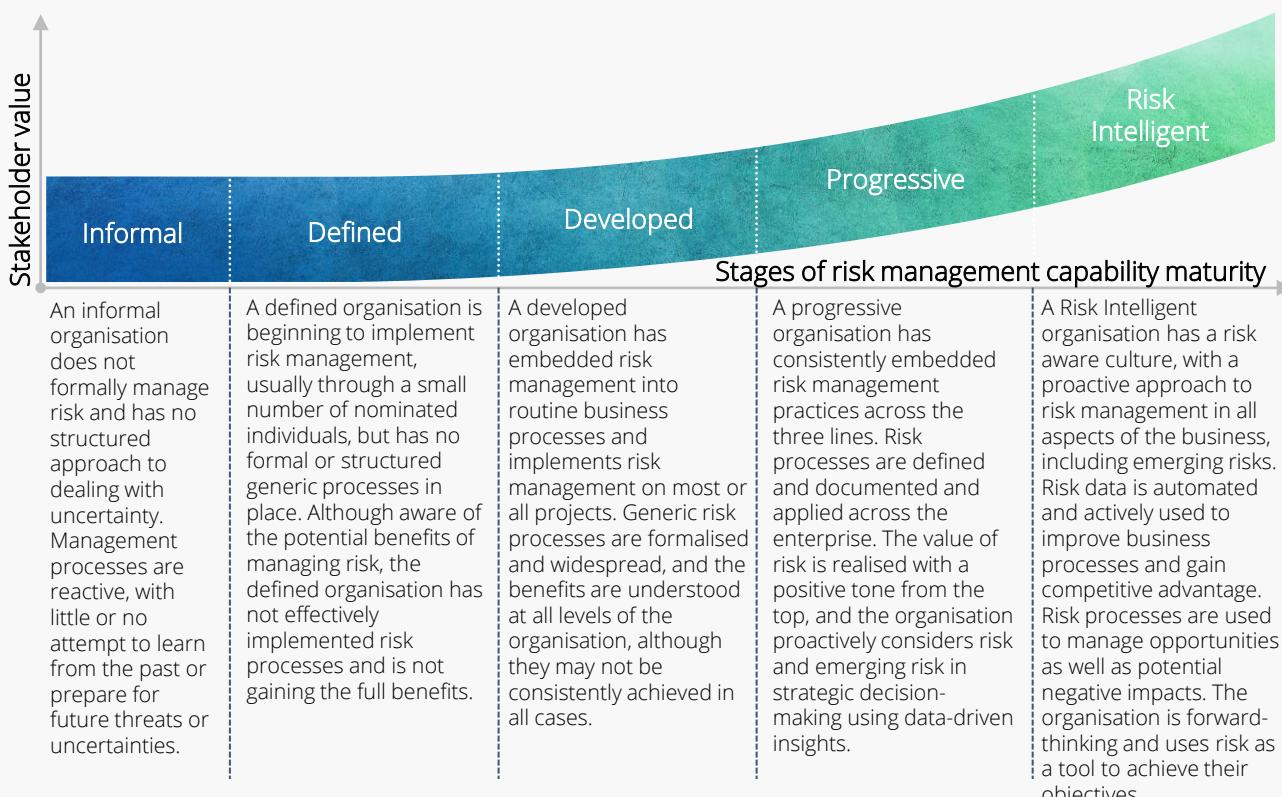
The updated model expands upon:

- Strategy and opportunity in risk are important to support the achievement of objectives
- Risk culture is a key driver for effective risk management and the significance of setting a positive tone from the top
- Risk assurance is included to emphasise the importance of an integrated assurance model with risk-informed assurance planning
- The use of technology is expanded upon to drive data driven insights across the organisation to enhance dynamic reporting and drive risk-informed decision making
- The importance of emerging risk identification is called out to support building resilience and enhancing preparedness for risk, as well as identifying opportunities
- Business Continuity and Crisis Management planning are included to drive the importance of resilience and risk response

To assess the approach an organisation has adopted for risk management, the risk framework should be evaluated periodically to help understand if your framework continues to be fit for purpose and helps the organisation meet its strategic objectives. In doing so, this is aligned to the UK Corporate Governance Code requirements.

Deloitte's Risk Intelligence Maturity Model

Most organisations have many of the elements of the Risk Intelligence model in place. The path forward should be a matter of **building on what currently exists** rather than of starting from scratch. For this reason, we think it's important for organisations to take stock of their current risk management capabilities before making major changes or investments in risk management.



The key is addressing the unique challenges and issues that management are focusing upon, as well as reflecting on the level of understanding of risk within the business and resilience priorities. By taking a proportionate approach with the aim to refine and optimise in the first instance, an organisation can build where necessary to create a fit for purpose framework which aligns with the broader strategic objective of the organisation and builds resilience. This **Risk Intelligent** approach also allows the framework to evolve over time to meeting the changing needs of the organisation and increase stakeholder confidence, whilst allowing for the agility, pace and responsiveness needed to grow.

Deloitte's Risk Intelligence Maturity model is a tool that can support you in evaluating your organisation's risk management capability, helping to understand where you are, and where you aspire to be. For leaders, an assessment against such a maturity model is a useful way to prioritise initiatives to pursue in various risk areas, as well as how much of the organisation's limited resources is required to invest in each initiative. It can also enable deliberate choices and enhance individual components of the framework in a way that will add the greatest value.

Get in touch

To discuss the stages of risk management capability maturity in further detail, please contact a member of our team.



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